

**01037**

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DEPARTMENT OF STATE

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**E45 Y****RELEASED**PRC GATT Accession

Q: Why is the US supporting China's membership in the GATT when China is still a state-controlled economy? What is China's interest in joining the GATT? What are the main issues involved in China joining the GATT?

A: WHILE WE RECOGNIZE THAT CHINA IS STILL FAR FROM HAVING A MARKET ECONOMY, THE US SUPPORTS CHINA'S MEMBERSHIP IN THE GATT IN PRINCIPLE BECAUSE WE BELIEVE THAT PRC ACCEPTANCE OF GATT DISCIPLINES WOULD HELP OPEN UP CHINA'S ECONOMY TO FOREIGN EXPORTS AND INVESTMENT AND ENCOURAGE THE PRC TO ASSUME GREATER RESPONSIBILITY FOR THE HEALTH OF THE GLOBAL TRADING SYSTEM. FURTHERMORE, PRC COMMITMENT TO GATT ARTICLES WOULD GIVE A MAJOR BOOST TO THE REFORM OF ITS DOMESTIC TRADING REGIME AND HELP MOVE CHINA FURTHER ALONG THE ROAD TOWARD A MARKET-ORIENTED ECONOMIC SYSTEM.

CHINA WANTS GATT MEMBERSHIP PRIMARILY TO ENHANCE ITS INTERNATIONAL STATURE AND INCREASE ITS INFLUENCE IN GLOBAL ECONOMIC DISCUSSIONS. IN ADDITION, CHINA BELIEVES THAT MEMBERSHIP IN GATT WILL CONFER TRADING BENEFITS SUCH AS UNCONDITIONAL MOST-FAVORED-NATION STATUS, IMPROVED MARKET ACCESS, AND RECOURSE TO GATT ARBITRATION IN DISPUTES OVER PROTECTIONIST ACTIONS BY DEVELOPED COUNTRIES.

THE PRC HAS INDICATED THAT IT IS WILLING TO NEGOTIATE TERMS OF PARTICIPATION IN A SIMILAR MANNER TO NEWLY ACCEDING COUNTRIES. CHINA WANTS TO SIGN AN ACCESSION (MEMBERSHIP) PROTOCOL SIMILAR TO THOSE APPROVED FOR OTHER DEVELOPING NATIONS. HOWEVER, THE US, JAPAN, AND MANY EUROPEAN MEMBERS BELIEVE THAT, AS A LARGE AND POTENTIALLY SIGNIFICANT ACTOR IN INTERNATIONAL TRADE, CHINA IN ACCEDING SHOULD ENTER INTO A MEANINGFUL AGREEMENT AND SHOULD IMPLEMENT SUBSTANTIAL TRADE AND PRICE REFORMS IN ORDER TO MAKE CHINA'S ECONOMIC SYSTEM COMPATIBLE WITH GATT PRINCIPLES. SPECIFICALLY, THE US WANTS TO SEE GREATER TRANSPARENCY AND UNIFORMITY IN CHINA'S TRADE REGIME, FEWER NON-TARIFF BARRIERS, AND MARKET-DETERMINED PRICES. WE ALSO WILL INSIST UPON SAFEGUARDS TO PROTECT OUR INDUSTRIES FROM IMPORT SURGES UNTIL CHINA'S ECONOMY AND TRADING REGIME IS FULLY GATT COMPATIBLE.

Unclassified Q's and A's

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